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NATIONAL RECOVERY ADMINISTRATION

APR 8 1936

DIVISION OF REVIEW

EVIDENCE STUDY

NO. 34

OF

RETAIL TRADE

Prepared by

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August, 1935

PRELIMINARY DRAFT

(NOT FOR RELEASE: FOR USE IN DIVISION ONLY)

THE EVIDENCE STUDY SERIES

The EVIDENCE STUDIES were originally planned as a means of gathering evidence bearing upon various legal issues which arose under the National Industrial Recovery Act.

These studies have value quite aside from the use for which they were originally intended. Accordingly, they are now made available for confidential use within the Division of Review, and for inclusion in Code Histories.

The full list of the Evidence Studies is as follows:

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|-------------------------------------|---|
| 1. Automobile Manufacturing Ind. | 23. Mason Contractors Industry |
| 2. Boot and Shoe Mfg. Ind. | 24. Men's Clothing Industry |
| 3. Bottled Soft Drink Ind. | 25. Motion Picture Industry |
| 4. Builders' Supplies Ind. | 26. Motor Bus Mfg. Industry (Dropped) |
| 5. Chemical Mfg. Ind. | 27. Needlework Ind. of Puerto Rico |
| 6. Cigar Mfg. Industry | 28. Painting & Paperhanging & Decorating |
| 7. Construction Industry | 29. Photo Engraving Industry |
| 8. Cotton Garment Industry | 30. Plumbing Contracting Industry |
| 9. Dress Mfg. Ind. | 31. Retail Food (See No. 42) |
| 10. Electrical Contracting Ind. | 32. Retail Lumber Industry |
| 11. Electrical Mfg. Ind. | 33. Retail Solid Fuel (Dropped) |
| 12. Fab. Metal Prod. Mfg., etc. | 34. Retail Trade Industry |
| 13. Fishery Industry | 35. Rubber Mfg. Ind. |
| 14. Furniture Mfg. Ind. | 36. Rubber Tire Mfg. Ind. |
| 15. General Contractors Ind. | 37. Silk Textile Ind. |
| 16. Graphic Arts Ind. | 38. Structural Clay Products Ind. |
| 17. Gray Iron Foundry Ind. | 39. Throwing Industry |
| 18. Hosiery Ind. | 40. Trucking Industry |
| 19. Infant's & Children's Wear Ind. | 41. Waste Materials Ind. |
| 20. Iron and Steel Ind. | 42. Wholesale & Retail Food Ind. (See No. 31) |
| 21. Leather | 43. Wholesale Fresh Fruit & Veg. |
| 22. Lumber & Timber Prod. Ind. | |

In addition to the studies brought to completion, certain materials have been assembled for other industries. These MATERIALS are included in the series and are also made available for confidential use within the Division of Review and for inclusion in Code Histories, as follows:

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|------------------------------------|---|
| 44. Wool Textile Industry | 49. Household Goods & Storage, etc. (Dropped) |
| 45. Automotive Parts & Equip. Ind. | 50. Motor Vehicle Retailing Trade Ind. |
| 46. Baking Industry | 51. Retail Tire & Battery Trade Ind. |
| 47. Canning Industry | 52. Ship & Boat Bldg. & Repairing Ind. |
| 48. Coat and Suit Ind. | 53. Wholesaling or Distributing Trade |

L. C. Marshall
Director, Division of Review

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RETAIL TRADE

Foreword

Basic Retail Code Number 60 by definition excludes those retail stores dealing in automobiles, food, dairy products, lumber, and tobacco, as well as trades governed by a separate code. Allowing for these deductions approximately one-third of all retail stores as listed by the Census of Retail Distribution fell within the scope of the Code. An executive order exempting stores in all places having a population of 2,500 or less from jurisdiction of the Code further limits its scope.

The Census data used in this report cover all the kinds of retail business not expressly excluded from the Code by its definition and not covered by another code. The groups included are as follows: general stores; general merchandise group; apparel group, except custom tailors; furniture and household group; and "other retail stores" excepting farm implement stores, cigar stores and stands, coal and wood yards, jewelry stores, opticians and optometrists, and monument and tombstone works.

Since the Census of Distribution contains a less detailed break-down in 1935 than in 1929, Census data for two minor groups, opticians and monument works, are not available for 1933. Estimates covering these groups, which were made by the Retail Census, have been used, however, in order to subtract the data for these groups from the published totals. These estimates are as follows: number of establishments, no change; employment and payroll, the same percentage decline as in retail trade; sales by opticians, 45 per cent decline; sales by monument works, 65 per cent decline.

Deductions to allow for the exemption, by Executive Order, of stores in places with population of less than 2,500 have been based on Census data for that group. Retail stores in these small places constitute approximately one-third of the total number of stores, account for about one-fifth of all retail sales, and employ one-eighth of all full-time employees engaged in the Retail Trade. It has been assumed that the per cent of retail stores subject to the Code was the same in small places as in all places. A study of the groups excluded and included shows this to be a reasonable assumption.

Inasmuch as classifications by size of city are not available for part-time employees and part-time payrolls, nor in sufficient detail by kind of business, a few tables have been included in this report in which no deductions have been made for small places exempt from the Code. Wherever this is the case, it has been so noted on the tables.

CHAPTER I

NATURE OF THE RETAIL TRADE

Number of Retail Stores

According to the Census of American Business, there were, in 1933, 1,523,119 stores in the Retail Trade. Of this number only 297,100 eventually became subject to the Code. The remainder were either excluded by definition or else were excluded under an Executive Order of the President which exempted stores in towns having a population of less than 2,500 from code provisions.

The Census of Retail Distribution for 1929 indicates that there were in that year approximately 369,000 stores in the Trade as later defined by the Retail Code, as compared with the total of 297,100 reported in the Census of American Business in 1933. (See Table I).

Number of Proprietors

The number of individual proprietors in the Trade as later defined by the Code numbered 289,100 in the year 1933. (See Table II). This represented a 16 per cent decline from the 1929 total of 343,000.

Number of Stores by States

Table I indicates that of the more than 297,000 stores in the Trade as defined by the Code 61.2 per cent of the total were located in the 10 states specified in 1933. Of these New York contained the largest number, namely 43,600 stores, or 14.7 per cent of the total in the Trade, and Pennsylvania followed with 22,900 stores, or 7.7 per cent of the total number. The concentration of retail stores closely follows that of population, and each state has approximately its proportionate share of retail outlets.

TABLE I

Number of Stores in the Trade as Defined by the Code,
by Principal States a/

State	1929		1933	
	Number	Per Cent	Number	Per Cent
U. S. Total	369,000	100.0	297,100	100.0
California	21,800	5.9	19,600	6.6
Illinois	26,900	7.3	21,200	7.1
Massachusetts	15,900	4.3	12,800	4.3
Michigan	13,900	3.8	11,400	3.8
Missouri	11,000	3.0	9,300	3.1
New Jersey	14,900	4.0	13,200	4.5
New York	58,300	15.8	43,600	14.7
Ohio	20,200	5.5	17,000	5.7
Pennsylvania	33,400	9.0	22,900	7.7
Texas	13,100	3.6	10,900	3.7
Total, 10 States	229,400	62.2	181,900	61.2
Other states	139,600	37.8	115,200	38.8

TABLE I (Cont'd)

Source: United States Census of Distribution, Retail Trade, 1930, Table I; and Census of American Business, United States Summary of Retail Census, 1933, Table 3, and State Reports, Table D.

a/ Data for places with population of less than 2,500 and for trades excluded from the Code were estimated by NRA Research and Planning Division and subtracted from the Census totals to give code coverage.

Number of Proprietors by States

The distribution of proprietors in the 10 principal states in 1929 was approximately the same, in proportion to the total number, as the distribution of retail stores (See Table II). Although data by states, on the number of proprietors in the Trade as defined by the Code -- which involves the exclusion of those in places having a population of less than 2,500 -- are not available for 1933, any change in the relative importance of these 10 principal states between 1929 and 1933 may be inferred from the left-hand side of Table II. These figures, representing all the proprietors in the trades later covered by the Retail Code, indicate very little shift in the relative importance of these states during this period.

TABLE II

Number of Proprietors in Trades Covered by the Code
by Principal States^{a/}

State	Total Proprietors				Proprietors Later Under the Code (Excluding places with pop- ulation of less than 2,500)			
	(Including places with ulation of less than 2,500)		1933		1929		1933	
	Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
U. S. Total	530,000	100.0	444,300	100.0	343,000	100.0	289,100	100.0
California	26,800	5.1	24,600	5.5	21,000	6.1	-	-
Illinois	31,700	6.0	26,100	5.9	24,000	7.0	-	-
Massachusetts	14,600	2.8	12,100	2.7	13,700	4.0	-	-
Michigan	18,000	3.4	15,900	3.6	12,600	3.7	-	-
Missouri	18,200	3.4	16,600	3.7	10,300	3.0	-	-
New Jersey	17,000	3.2	13,900	3.1	13,900	4.1	-	-
New York	62,000	11.7	47,300	10.7	52,400	15.3	-	-
Ohio	25,900	4.9	21,800	4.9	17,700	5.1	-	-
Pennsylvania	43,200	8.1	31,000	7.0	32,600	9.5	-	-
Texas	23,900	4.5	20,200	4.5	13,100	3.8	-	-
Total, 10 States	281,300	53.1	229,500	51.6	211,300	61.6	-	-
Other States	248,700	46.9	214,800	48.4	131,700	38.4	-	-

Source: United States Census of Distribution, Retail Trade, 1930, Table 1; and Census of American Business, U. S. Summary of Retail Census, 1933, Table 3, and State Reports, Table D.

a/ Data for places with population of less than 2,500 and for trades excluded from the Code were estimated by NRA Research and Planning Division, and subtracted from Census totals to give Code coverage.

Number of Failures and Liabilities Involved

The National Retail Code Authority has compiled failures data which cover most of the trades included under the Code. These indicate that failures declined in number from 4,882 in 1933, to 2,278 in 1934, and in the amount of liabilities involved from \$75,118,000 in 1933, to \$27,148,000 in 1934. These reductions were equivalent to 53.3 per cent in the number of failures and 65.9 per cent in the amount of liabilities. (See Table III).

TABLE III

Number of Failures and Amount of Liability Involved^{a/}

Year	Number of Failures	Amount of Liability Involved (000's)
1930	7,793 ^{b/}	\$ 119,186 ^{b/}
1931	8,697 ^{b/}	151,360 ^{b/}
1933	4,882	75,118
1934	2,278	27,148

Source: National Retail Code Authority, Inc., "Reply to Questionnaire of Litigation Division - NRA, on Code for Retail Trade," April 1, 1935.

^{a/} Includes failures of General Stores, Clothing and Furnishings, Dry Goods and Department Stores, Leather and Shoes, Furniture and Crockery, Hardware, Stoves and Tools, Paints, Hats, Gloves and Furs.

^{b/} Wholesale and retail combined in 1930 and 1931, but, according to the Code Authority, by far the greater proportion was retail.

The foregoing figures differ from those published under the Traders' Group in Dun and Bradstreet Monthly Review in that the latter figures, although they are predominantly for retail stores, include wholesale establishments as well. From the Dun and Bradstreet classification the clothing, furniture, books and paper, and miscellaneous groups have been combined and presented by months, 1929 to date in Chart I. Analysis of these figures indicates that in the year 1932 failures in the Retail Trade reached their peak both in number and total liabilities involved, and were successively lower in 1933 and 1934. In the latter year, retail failures were lower, both as to number and total liabilities involved, than in any of several years preceding the depression.

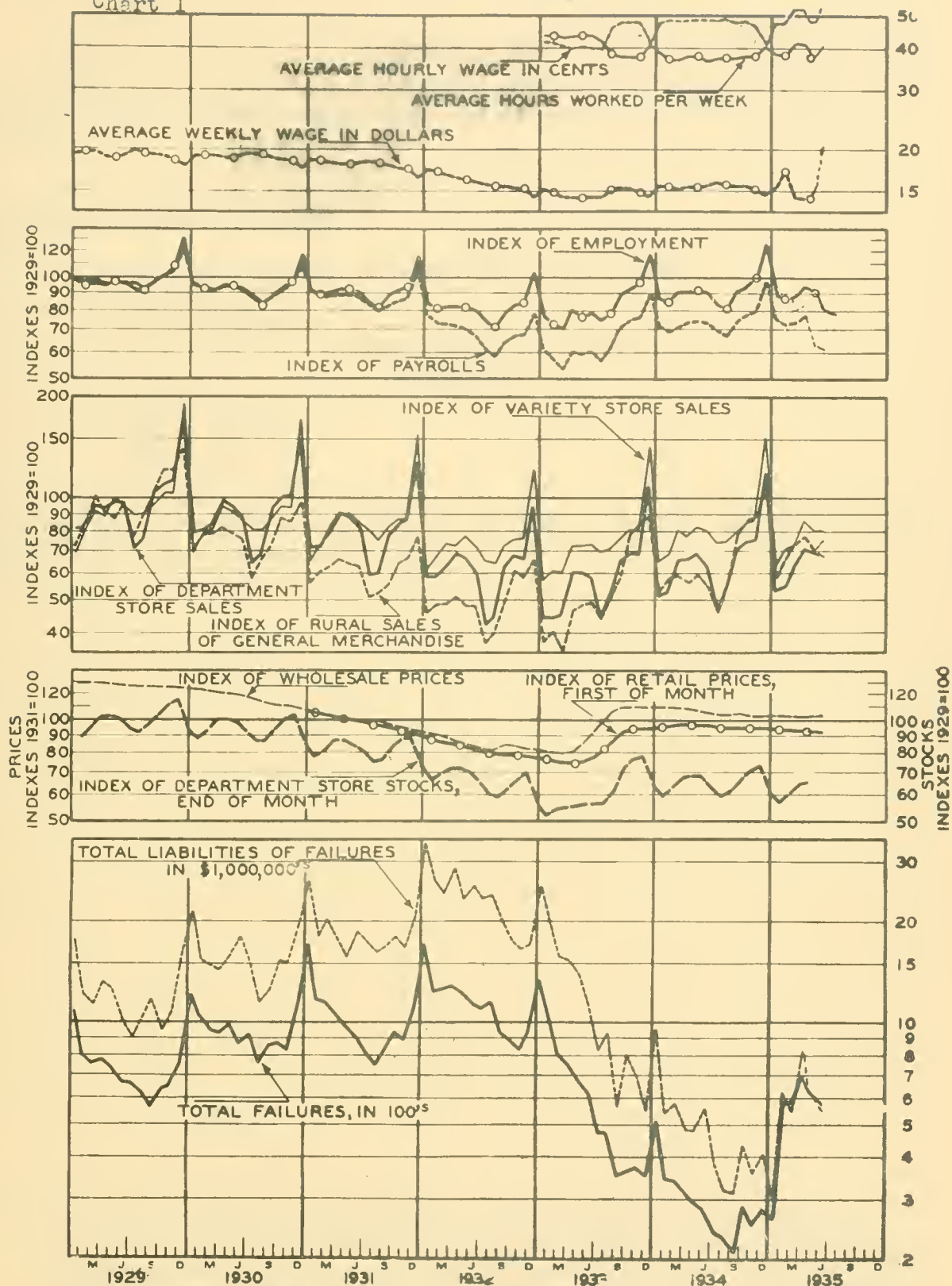
Total Net Sales

Net sales of stores in the Trade as defined by the Retail Code were \$8,664,000,000 in 1933, as compared with \$17,946,000,000 in 1929. (See Table XII.) The Census defines sales as the total receipts of retail stores, consisting of cash or its equivalent accepted in exchange for merchandise, repairs or other service, space or concession lease, and the like. Refunds or allowances on returned merchandise are deducted.

RETAIL TRADE

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Chart I



Sources of Data: Bureau of Labor Statistics - Labor data, NRA estimate of average weekly wages from indexes of employment and payroll; index of wholesale prices, NRA composite of boot and shoe, textiles, and housefurnishings group. Federal Reserve Bulletin - Index of department store sales and stocks. Bureau of Foreign and Domestic Commerce - Index of variety store sales; index of rural sales of general merchandise. Fairchild Publications - Index of retail prices. Chart prepared by Research and Planning Division, NRA.

Total Sales by Kind of Business

Including sales made by stores in towns of less than 2,500 population, net sales by the kinds of business subject to the Code, amounted to \$10,539,000,000 in 1933, and \$21,813,000,000 in 1929, as shown in Table IV. Separate details by kind of business are not available for the smaller places.

Of the total sales for 1933, 68 per cent consisted of sales of the following 8 kinds of stores: 1/

- Department Stores (including Mail Order Sales)
- Dry Goods Stores
- Variety Stores
- Apparel Stores (excluding Shoes and Custom Tailoring)
- Shoe Stores
- Furniture Stores
- Hardware Stores
- Drug Stores

This group of stores numbered 206,567 or 46.3 per cent of the stores in the kinds of business subject to the Code.

1/ It should be noted that in 1933 the kind-of-business classification was based on the usual designation of the store or the principal line of goods handled in the absence of information on sales by commodities which were utilized in classifying reports for 1929. For this reason a store may have been differently classified by the Census in 1933, even though the nature of its business was the same as in 1929.

TABLE IV

Total Sales in Trades Covered by the Code,
by Kinds of Business a/

Kind of Business	Number of Stores		Value of Sales (In millions)	
	1929	1933	1929	1933
Total	541,457	444,579	\$ 21,813	\$ 10,529
Department Stores (Including Mail Order)	4,221	3,544	4,350	2,545
Dry Goods	25,450	12,746	663	150
Variety Stores	12,110	12,046	904	678
Apparel (Excluding Shoes and Custom Tailoring)	78,753	60,726	3,269	1,445
Shoe Stores	24,259	18,836	307	425
Furniture	25,153	17,418	1,510	554
Hardware	25,330	22,844	706	311
Drugs	58,258	58,407	1,690	1,066
Total 8 groups	253,534	206,567	13,899	7,174
Other	287,923	238,012	7,914	3,355

Source: U. S. Census of Retail Distribution, 1930; U. S. Summary, Table 1A; and Census of American Business; U. S. Summary of Retail Trade, 1933, Tables 1 and 3.

a/ Figures include stores in places of 2,500 or less, in population which are exempt from the Code.

Indexes of department store sales, of variety store sales, and of rural sales of general merchandise show the monthly movements of sales of a few of the more important kinds of business which are included under this Code. A comparison of these may be seen in Chart Number I.

Principal Commodities Sold

The relative importance of the principal commodities sold is available for one of the more important groups under the Code, namely, variety stores. These data, which are presented in Table V, show that apparel, notions, and home furnishings account for more than a third of the total sales in these stores.

TABLE V

Principal Commodities Sold by Variety Stores, 1934
(In Order of Sales Importance)

Commodity	Per Cent of Total Variety Sales
Total	100.0
Apparel and Accessories	13.4
Notions and Small Wares	10.1
Home Furnishings (principally China, Glassware, and Crockery)	10.0
Confectionery and Nuts	7.9
Drugs and Toiletries	7.8
Hardware	7.7
Stationery, Books (principally Paper and Fancy Paper Goods)	6.4
Dry Goods	5.4
Toys and Games	5.4
Soda Fountain Sales and Lunches	3.9
Clothing and Furnishings (Men's and Boys')	3.8
Jewelry (principally Costume)	3.0
Electrical Supplies and Materials	2.8
Miscellaneous	12.4

Source: Presenting the Limited Price Variety Stores Association, Inc.,
page 1.

Competitive Trends Within Retail Trade as a Whole

Possibly as a result of the depression, there has been a notable tendency for retail stores to widen their lines of merchandise and go outside of their regular fields of trade. For example in the drug field there have sprung up the so-called "pine-board" shops which specialize only in the fast selling and more profitable lines of merchandise such as cosmetics and toothpaste, while items commonly found in hardware stores, dry goods stores, and jewelry shops can be purchased in drug stores.

Another trend has been the development of direct selling by manufacturers and mail order houses. A further development in recent years has been the establishment by mail order houses of retail outlets throughout the United States. These stores are, of course, in direct competition with those owned by chain and independent competitors.

Recent changes in the relative importance of chain stores are indicated in the report on "Changes in Wholesaling and Retailing between 1929 and 1933," issued by the Research and Planning Division of the National Recovery Administration and based on Census figures. Chain

stores which number 9.3 per cent of the total outlets in 1933, and 9.6 per cent in 1929, sold 25.2 per cent of the value of all merchandise retailed in 1933, as against only 20 per cent in 1929. 1/ Although the number of such outlets was slightly smaller, relative to the total, than in 1929, sales showed an increase relative to total sales. Independents, on the other hand, showed a decrease both as to their per cent of total sales and of total outlets. Their sales decreased from 77.5 per cent of total in 1929 to 71.2 per cent in 1933, and the number of outlets declined from 89.1 per cent of the total to 83.4 per cent.

1/ "Changes in Wholesaling and Retailing between 1929 and 1933,"
(March, 1935) Tables 10 and 11.

CHAPTER II

LABOR STATISTICS

Number of Full-Time Employees

Analysis of Census data for the years 1929 and 1933 shows that employment of full-time employees in the Trade as defined by the Code declined from 1,644,100 in 1929, to 1,066,750 in 1933, a decrease of 35.2 per cent. (See Table VIII.) The employment data include all persons whether on a salary or wage basis.

Seasonal Variation in Employment

Employment in the trade groups subject to the Basic Retail Code is highly seasonal. Index numbers of employment for each month of 1933 have been calculated separately for full-time, part-time, and total employment and are presented in Table VI. For each group, the average for the year was used as the base (monthly average = 100).

In each of these series the low point of employment occurred in the early months of the year and was followed by a gradual rise to the spring peak which occurred in April. The slightly lower employment of the next four months was followed by a sharp rise which started in September and culminated with a decided peak in December. It may be presumed that this seasonal variation was characteristic of years other than 1933, with possible changes in the location of the spring peak according to the month in which Easter occurred.

TABLE VI
Indexes of Employment, by Months, 1933
(Monthly Average = 100)

Month	Total	Full-Time	Part-Time
Average	100.0	100.0	100.0
January	90.2	93.3	79.6
February	89.7	92.1	81.3
March	90.4	92.0	84.8
April	98.8	97.0	105.0
May	96.8	96.6	97.5
June	98.2	97.7	99.9
July	96.0	96.5	94.6
August	97.6	98.6	94.3
September	104.4	105.2	101.8
October	107.7	107.5	108.4
November	108.9	108.0	111.8
December	121.2	115.5	141.0

Source: Constructed by NRA Research and Planning Division from data in Census of American Business, United States Summary of Retail Distribution, 1933, Tables 4 and 4A

Part-time employment was lowest during January, in which month employment was 79.6 per cent of the yearly average. During the month of December part-time employment was 41 per cent higher than the average for the year.

Full-time employment was lowest in March with an index number of 92.1, and highest in December, for which month the index number was 115.5, as compared with 100 for the year.

Total employment, meaning both full and part-time, was lowest in February, when it stood at 89.7, and highest in December, when it was 21.2 per cent above the year's average.

Total Annual Payrolls of Full and Part-Time Employees

Total payroll figures as used in this report represent the salaries, wages, commissions, and bonuses paid part-time and full-time employees and salaried officers during the year. They do not include compensation of proprietors except for fixed salary of active partners if such salary is paid supplementary to the partner's participation in profits. Such salaried partners are considered by the Census to be comparable with salaried executives of a corporation and are counted as employees rather than proprietors.^{1/}

After deduction of groups subject to separate codes and also of stores in towns with population of less than 2,500, which were exempted by Presidential Order, total annual payrolls of full-time and part-time employees for the groups later subject to the Code amounted in 1929 to \$2,282,000,000, as against \$1,198,000,000 in 1933. The decline as between the two Census years amounted to 47.5 per cent. (See Table XI.)

Monthly Indexes of Employment and Payrolls

For indexes of employment and payrolls by months, 1929 to date, in the general merchandise group, see Chart Number I. This group includes department, variety, and general merchandise stores and mail-order houses. The employment and payrolls series shown on this Chart are less inclusive than the Code coverage, but are more nearly comparable with Code coverage than are the only other available indexes, namely, the Bureau of Labor Statistics series for the entire Retail Trade. Current data are based on approximately a 50 per cent sample.

Average Hourly Earnings

According to figures obtained from the U. S. Bureau of Labor Statistics, and based on a sample of the General Merchandise Group in the Retail Trade, average hourly earnings in that group increased from 42.7 cents in 1933 to 47.5 cents in 1934. (See Table VII.) Average hourly earnings by months, 1933 to date, are shown in Chart Number I.

^{1/} Census of American Business, 1933, Retail Distribution, Vol. I, page 69.

TABLE VII

Average Hourly Wage Rate, Average Weekly Earnings, and Average Hours Per Week in the General Merchandise Group

Year	Average Hourly Wage Rate	Average Weekly Earnings	Average Hours Per Week
1929	a/	\$ 19.07	a/
1931	a/	18.07	a/
1933	\$.427	14.77	41.1
1934	.475	15.50	38.0

Source: Computed by NRA, Research and Planning Division, from unpublished Bureau of Labor Statistics data.

a/ Not available.

Average Weekly Hours per Employee

According to a sample of the General Merchandise Group of the Retail Trade obtained from the Bureau of Labor Statistics, the average hours per employee per week declined from 41.1 in 1933, to 38.0 in 1934. (See Table VII.)

Chart Number I shows average hours worked per week during each month, 1933 to date.

Average Weekly Wages per Employee

Estimated average weekly wages per employee in the General Merchandise Group in 1929, amounted to \$19.07 per week. In 1931 the corresponding figure was \$18.07, and in 1933, \$14.77 per week. As the result of operation of the minimum wage provisions in the Retail Code wages per week averaged somewhat higher, namely, \$15.50 per employee in 1934. (See Table VII.)

The foregoing figures are estimates obtained by dividing the estimated payroll for the group by the estimated employment. Estimated employment and payroll figures are obtained by multiplying the indexes of employment and payrolls by their respective Census base figure.

For average weekly wages in dollars, 1929 to date, see Chart Number I.

Number of Employees, by States

Employment in the Retail Trade closely follows the number of establishments. Table VIII shows that in 1933 64.7 per cent of all of the full-time employees combined were found in the identical 10 states, which were shown in Table I to contain 61.2 per cent of all establishments. New York employed 14.8 per cent of the total under this Code, and Pennsylvania employed 9.1 per cent.

TABLE VIII

Average Number of Full-Time Employees in the Trade
as Defined by the Code, by Principal States ^{a/}

State	1929		1933	
	Number	Per Cent	Number	Per Cent
U. S. Total	1,644,100	100.0	1,066,750	100.0
California	109,700	6.7	71,900	6.7
Illinois	140,500	8.5	88,300	8.3
Massachusetts	34,700	5.2	56,500	5.3
Michigan	67,800	4.1	40,200	3.8
Missouri	55,500	3.4	37,100	3.5
New Jersey	49,800	3.0	33,500	3.2
New York	242,100	14.7	158,400	14.8
Ohio	102,200	6.2	67,400	6.3
Pennsylvania	151,900	9.2	96,600	9.1
Texas	61,900	3.8	40,000	3.7
Total, 10 states	1,066,100	64.5	689,900	64.7
Other states	578,000	35.2	376,850	35.3

Source: United States Census of Distribution, 1930, Table 1;
and Census of American Business, United States Summary of
Retail Distribution, 1933, Table 3, and State Reports, Table D.

^{a/} Data for places with population of less than 2,500 and for trades excluded from the Code were estimated by NRA, Research and Planning Division, and subtracted from the Census totals to give code coverage.

The amount of part-time employment in towns having a population of less than 2,500 is not published by the Census. The comparison in Table IX between full and part-time employees, combined, and part-time employees is therefore necessarily based on data which include stores in small places. Reference to this table shows that in 1929, 61.1 per cent, and in 1933, 60.5 per cent of all full and part-time employees combined were located in the 10 principal states.

TABLE IX

Average Number of Full and Part-Time Employees Combined, and of Part-Time Employees in Trades Covered by the Code, by Principal States ^{a/}

State	Total Full and Part-Time Employees Combined				Part-Time Employees			
	1929		1933		1929		1933	
	Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
U. S. Total	2,225,000	100.0	1,573,200	100.0	345,200	100.0	354,700	100.0
California	134,600	6.0	99,500	6.3	15,900	4.6	21,700	6.1
Illinois	178,400	8.0	121,900	7.7	27,200	7.8	26,800	7.5
Massachusetts	102,200	4.6	73,000	4.6	15,900	4.6	15,500	4.4
Michigan	87,400	3.9	57,900	3.7	12,600	3.6	13,500	3.8
Missouri	75,200	3.4	55,200	3.5	11,300	3.2	12,500	3.5
New Jersey	66,200	3.0	47,100	3.0	10,800	3.1	9,800	2.8
New York	292,400	13.2	201,800	12.8	36,300	10.4	34,400	9.7
Ohio	131,900	5.9	95,200	6.1	21,300	6.1	22,300	6.3
Pennsylvania	199,000	8.9	136,400	8.7	31,900	9.2	30,200	8.5
Texas	93,200	4.2	64,400	4.1	16,600	4.8	14,900	4.2
Total, 10 states	1,360,500	61.1	952,400	60.5	199,800	57.4	201,600	56.8
Other states	864,500	38.9	620,800	39.5	145,400	42.6	153,100	43.2

Source: United States Census of Distribution, Retail Trade, 1930, Table 1; and Census of American Business, U. S. Summary of Retail Census, 1933, Table 4A, page 21, and State Reports, Tables D and E.

^{a/} Figures include stores in places having a population of less than 2,500, which were exempt from the Code.

From 1929 to 1933 the changes in the total number of full and part time employees combined and of full-time employees were approximately the same for these 10 states as for the country as a whole. (See Table X.) During this period the number in the former group decreased about 30 per cent, in the latter, about 35 per cent, both for these 10 states as a group and for the entire country. On the other hand an increase of approximately 1 per cent in the number of part-time employees was found in the group of 10 states, while for the country as a whole, part-time employment increased approximately 2 per cent.

The shift from full-time employment to part-time was considerable. From data presented in Table IX it has been computed that in 1929 part-time employment in this group of businesses amounted to 15.6 per cent of the total employment but in 1933 it had increased to 22.5 per cent.

TABLE X

Per Cent Change in Total Number of Employees, in Full
and in Part-Time Employees, in Trades Covered by
the Code, by Principal States, 1929-1933 a/

State	Total Full and Part-Time Employees Combined	Full-Time Employees	Part-Time Employees
U. S. Total	-29.3	-35.1	+ 1.9
California	-26.1	-34.5	+36.5
Illinois	-36.7	-37.1	- 1.5
Massachusetts	-28.6	-33.4	- 2.5
Michigan	-33.8	-40.6	+ 7.1
Missouri	-26.6	-33.2	+10.6
New Jersey	-28.9	-32.7	- 9.3
New York	-31.0	-34.6	- 5.2
Ohio	-27.8	-34.1	+ 4.7
Pennsylvania	-31.5	-36.4	- 5.3
Texas	-30.9	-35.4	-10.2
Total, 10 states	-30.0	-35.3	+ 0.9
Total, 39 other states	-23.2	-34.7	+ 3.2

Source: Derived from Table IX.

a/ Figures include stores in places having a population of less than 2,500 which were exempt from the Code.

Total Annual Payrolls, by States

According to Census data, the total annual payrolls paid to all employees in the Trade as defined by the Code (excluding places having a population of less than 2,500) was \$2,282,000,000 in 1929, and \$1,198,000,000 in 1933.

As already noted above, the decrease in total payrolls amounted to 47.5 per cent. It has likewise been noted that the vast bulk of employment occurred in 10 states, and total annual wages follow the same course. In 1929, 67.6 per cent of wages paid in the Retail Trade and in 1933, 66.8 per cent of such wages were paid to employees within the same 10 states (See Table XI).

New York accounted for by far the largest proportion of wages paid to retail employees, and in 1933 this amounted to approximately 17 per cent of the total. Pennsylvania followed with 8.5 per cent, Illinois with 8.2 per cent, and California with 7.6 per cent of the total of retail payrolls.

A comparison of the relative importance of state payrolls with that of employment can be made only on data including stores in small places, since figures on part-time employment are not available, by states, for places with population of less than 2,500. From Table IX and the left-hand side of Table XI it is apparent that the 10 principal states accounted for a larger proportion of total annual payroll than of the total number of employees.

TABLE XI

Total Annual Payrolls a/ in Trades Covered by the Code, by Principal States b/

State	Total Stores			Stores Later Under the Code (Excluding Places with Population of Less than 2,500)		
	1929			1933		
	Amount (In millions)	Per Cent (In millions)	Per Cent	Amount (In millions)	Per Cent (In millions)	Per Cent
U. S. Total	\$ 2,282	100.0	100.0	\$ 2,551	100.0	100.0
California	168	7.4	7.6	180	7.1	7.3
Illinois	211	9.2	8.2	223	8.7	7.8
Massachusetts	113	4.9	5.7	115	4.5	5.2
Michigan	104	4.5	3.6	112	4.4	3.5
Missouri	71	3.1	3.3	79	3.1	3.3
New Jersey	75	3.3	3.5	83	3.3	3.4
New York	381	16.7	16.9	401	15.7	15.9
Ohio	143	6.3	6.2	153	6.0	6.0
Pennsylvania	200	8.8	8.5	218	8.6	8.3
Texas	77	3.4	3.3	93	3.6	3.6
Total, 10 states,	1,543	67.6	66.8	1,657	65.0	64.3
Other states	739	32.4	33.2	894	35.0	35.7

Source: United States Census of Distribution, Retail Trade, 1930, Table 1; and Census of American Business, 1933, United States Summary of Retail Census, Table 4A and State Reports, Table D.

a/ Payrolls of full-time and part-time employees are included in total annual payrolls. For explanation of the employees covered by these data, see page 16 of this report.

b/ Data for places with population of less than 2,500 and for Trades excluded from the Code were estimated by NRA Research and Planning Division and subtracted from Census totals to give code coverage.

CHAPTER III

KINDS AND SOURCES OF MERCHANDISE SOLD

Kinds of Merchandise Sold by Members of the Trade

The principal kinds of merchandise sold by members of the Retail Trade as defined by the Code are:

Furniture	Shoes
Hardware	Musical Instruments
Clothing	Drugs
Dry Goods	Cosmetics
Notions	Variety Store Merchandise

Sources of Merchandise Sold

The sources of production of goods sold by the Retail Trade vary according to the type of merchandise under consideration. Some types of merchandise are produced in practically every state in the United States and a considerable portion is known to be imported from Europe, Japan, the Philippines, and Puerto Rico.

A few miscellaneous examples illustrate this variation, as well as the wide range in the sources of retailers' merchandise. Cotton textiles are made in New England and in the Southern States. Handkerchiefs are made both in the United States and in Puerto Rico, but they are also imported from the Philippines and Japan. Shoes are produced chiefly in Massachusetts, New York and Pennsylvania.

In the last few years the importation of cheap Japanese goods, which compete on the same counter with those of domestic origin, has increased. The glass factories of Czechoslovakia are in direct competition with those operated by domestic manufacturers, and the products of each are to be found within the same retail stores. In the dinnerware departments of department stores, the products of Great Britain, France, and Japan, compete directly with those of domestic producers.

It can be stated in general that the sources of material sold by members of the Retail Trade cover an immense geographical range. An analysis of such sources would involve a detailed break-down of figures contained in the Census of Manufactures as well as those on imports reported by the Bureau of Foreign and Domestic Commerce.

SALES AND DISTRIBUTION

Net Sales by States

In both 1929 and 1933 approximately two-thirds of the value of the net sales in the Trade as defined by the Retail Code were made in 10 states. These states were California, Illinois, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, and Texas. In 1933 New York accounted for over 16 per cent of the total; and Pennsylvania, which was the second most important state, accounted for over 8 per cent of the total. Illinois and California sold 7.9 and 7.4 per cent of the total, respectively. Sales in the 10 foregoing states amounted to \$11,736,000,000, or 65.4 per cent of all sales in 1929, and \$5,576,000,000, or 64.3 per cent in 1933. Net sales in the group of 10 states decreased 52.5 per cent as between the two Census years.

TABLE XII

Net Sales in the Trade as Defined by the
Code, by Principal States^{a/}

State	1929		1933	
	Amount (In millions)	Per Cent	Amount (In millions)	Per Cent
U. S. Total	\$17,946	100.0	\$8,664	100.0
California	1,210	6.8	640	7.4
Illinois	1,531	8.5	682	7.9
Massachusetts	830	4.6	437	5.0
Michigan	774	4.3	309	3.6
Missouri	569	3.2	278	3.2
New Jersey	596	3.3	305	3.5
New York	2,957	16.5	1,400	16.1
Ohio	1,056	5.9	511	5.9
Pennsylvania	1,543	8.6	707	8.2
Texas	670	3.7	307	3.5
Total, 10 states	11,736	65.4	5,576	64.3
Other states	6,210	34.6	3,088	35.7

Sources: United States Census of Distribution, Retail Trade, 1930, Table 1;
Census of American Business, United States Summary of Retail Distribution, 1933, Table 3, and States Reports, Table D.

^{a/} Data for places with population of less than 2,500 and for trades excluded from the Code were estimated by NRA, Research and Planning Division and subtracted from Census totals to give code coverage.

Volume of Sales

Owing to the miscellaneous character of merchandise sold in the Retail Trade, no information is available as to the total of each of the individual

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units of measurement (yards, pounds, number, etc.) sold in each state or in the United States as a whole. The data are limited entirely to dollar volume of sales

Evidence of Interstate Character of Retail Trade

The National Retail Code Authority in a document entitled "Reply to Questionnaire of Litigation Division - NRA, on Code for Retail Trade," dated April 1, 1935, stated:

"As to the question of selling in interstate commerce by retailers, it is possible to establish the nature and the extend of such selling by an examination of three factors:

1. The amount of retail business done by retailers located in cities and towns whose trade obviously includes neighboring cities and towns across state borders;
2. Amount of business done by retail concerns clearly engaged in interstate commerce such as chain stores and mail order houses;
3. Amount of advertising done by retailers in newspapers whose circulation to buying public transcends state lines."

The first two points and others in evidence of interstate commerce are discussed just below. The third point is discussed later in connection with advertising media.

Retail Sales in Selected Interstate Trading Areas. -

In connection with point number 1, the Code Authority included in the above-mentioned report a tabulation entitled "Net Sales of Stores Operating Under Retail Code in Cities and Towns located on State Boundaries or Otherwise having Interstate Trading Area."

This table has been reproduced as Table XIII of this report. It indicates that sales in such cities for the stores selected amounted to \$2,047,096,000 as against a total for the United States of \$7,821,741,000. This suggests that at least one-quarter of the total business of the Retail Trade is handled by establishments located in cities and towns either on state boundaries or within interstate trading areas. The amount of such sales actually made in interstate commerce is not shown.

TABLE XIII

Net Sales of Selected Stores in Cities and Towns
Having an Interstate Trading Area
(In thousands)

City or Town	Net Sales
New York City	\$ 888,251
Philadelphia, Pa.	239,854
Chicago, Ill.	434,006
St. Louis, Mo.	105,676
Pittsburgh, Pa.	96,239
Cincinnati, Ohio	64,483
Memphis, Tenn.	29,981
Omaha, Nebraska	25,577
Louisville, Ky.	29,211
Portland, Oregon	41,392
Toledo, Ohio	29,473
Chattanooga, Tenn.	10,817
Duluth, Minn.	9,291
Moline, Ill.)	
Rook Island, Ill.)	16,842
Davenport, Ia.)	
Bristol, Va.)	
Bristol, Tenn.)	3,262
Dubuque, Iowa	5,660
Texarkana, Texas)	
Texarkana, Arkansas)	2,440
Augusta, Georgia	14,641
Total, above stores	\$ 2,047,096
Total for U. S.	\$ 7,821,741

Source: National Retail Code Authority, Inc., "Reply to Questionnaire of Litigation Division - NRA, on Code for Retail Trade," (April 1, 1935).

Interstate Character of Mail-Order Trade. - The National Retail Code Authority in the document already referred to stated: "An indication of the amount of sales made by firms clearly engaged in interstate commerce is obtained from the following totals of sales by mail order houses and chain stores during 1933: Mail-Order Houses, \$228,600,000; Chain Stores \$1,858,-474,000."

Details regarding the interstate character of the mail-order business, which have been obtained from the 2 leading mail-order houses, are presented below.

Montgomery Ward and Company operates approximately 489 retail stores located in 45 of the 48 states of the Union, 9 mail-order stores, and 2 main warehouses for shipping mail-order merchandise. Its mail-order business involves sales to customers in every one of the 48 states. Total sales for the business year ended January 31, 1934, both mail-order and retail, amounted to \$249,805,721. Its merchandise is purchased from approximately 12,000 manufacturers who are scattered throughout most of the states of the Union.

Montgomery Ward and Company distributes a mail-order catalogue twice a year to between 5,500,000 and 6,500,000 customers. This mail-order catalogue carries approximately 90,000 different items of merchandise. The company also distributes smaller special catalogues to as many as 7,000,000 to 10,000,000 customers.

Information received from the Vice President in charge of merchandising of Sears, Roebuck and Company, indicates that its retail stores are located in four zones, namely, Eastern, Midwestern, Southeastern and Southwestern, and that there is a large number of retail stores in various states reporting to each of these zones. In addition, the Company maintains districts located in Chicago, New York, and on the Pacific Coast, to each of which a large additional group of stores reports. A further set of stores is located in and about 16 large cities throughout the country without regard to state lines; these stores report to headquarters located in each of these cities.

Other information supplied by Sears, Roebuck and Company indicated that they purchase manufactured tires in Akron, Ohio, Gadsden, Alabama, and Los Angeles, California, and that the Company maintains the following mail-order plants from which they ship tires:

Chicago, Ill.	Minneapolis, Minn.
Kansas City, Mo.	Boston, Mass.
Seattle, Wash.	Philadelphia, Pa.
Los Angeles, Cal.	Atlanta, Ga.
Dallas, Tex.	Memphis, Tenn.

No direct information could be obtained as to the percentage of shipments made by these mail-order houses to customers in each state.

Interstate Character of Department Store and Other Types of Retail Trade - Information received by the writer from the United Parcel Service shows that its customers, located in Manhattan Borough, City of New York, ship roughly 15 to 19 per cent of their merchandise across state lines into New Jersey and Connecticut.

It has been estimated by one authority^{1/} that 25 to 30 per cent of New York City department store sales are shipped across state lines. That there are extreme variations from this average is indicated in the case of one store from which not more than one-half of one per cent of the merchandise is said to be shipped out of New York State.^{2/}

1/ J. A. Kaylin, Associate Editor, Fairchild Publications.

2/ Statement by the Vice President of a Brooklyn department store.

Interstate Shipment of Stocks to Retailers. - According to Dr. Paul H. Nystrom, President of the Limited Price Variety Store Association, Inc., chain stores have warehouses in large cities and ship across state lines. No figures are available, as the individual members refuse to make this information public or to report it to the Limited Price Variety Store Association.

Information as to value and volume of products sold by wholesalers in each state to retailers in other states is not directly available. The Census of Wholesale Distribution provides a great deal of information as to the state in which wholesale sales are made but does not indicate the points to which the merchandise involved is shipped.

The Census of Wholesale Distribution (1930) volume II, page 10, contains the following statement:

"....the operations of many wholesale establishments cover wide territories, considerably beyond the boundaries of the state in which they are located."

It is evident, therefore, that a considerable portion of merchandise purchased by retailers is shipped to them from beyond the confines of the states in which they are located.

In recognition of this situation the Research and Planning Division of the National Recovery Administration in February, 1935, prepared a Study of Natural Areas of Trade in the United States, based upon the 37 major trade areas corresponding to the 37 Federal Reserve Divisions, as adjusted to the flow of trade. These major trading areas in no instance were found to coincide with the boundaries of an individual state.

Nature of Advertising Media Used

Advertising media used are the radio, fashion magazines -- such as Harpers Bazaar - the New Yorker, and also daily newspapers.

The annual survey of the Sales Promotion Division of the National Retail Dry Goods Association has indicated that the cost of publicity for approximately 300 department stores ranges from 4.5 cents per sales dollar, for stores with sales volume of less than one million dollars, up to 5.7 cents for stores selling over ten million dollars worth of merchandise.

As shown in Table XIV, 2.75 per cent of each sales dollar was expended in newspaper advertising in the case of stores selling under one million dollars annually. As the sales volume increased this percentage increased, also, to a maximum of 3.82 cents per dollar for the group having an annual sales volume of more than \$10,000,000 annually.

TABLE XIV

Per Cent of Publicity Cost per Dollar of Sales

Size of Sales Volume	Total Per Cent Spent for Publicity	Per Cent Spent for Newspaper Publicity
Under \$1,000,000	4.50	2.75
\$1,000,000 to \$2,000,000	4.65	2.90
\$2,000,000 to \$5,000,000	5.18	3.39
\$5,000,000 to \$10,000,000	5.50	3.60
Over \$10,000,000	5.70	3.82

Source: Annual Analysis of Sales Promotion Division of the National Retail Dry Goods Association.

An analysis of the distribution of the 1934 retail publicity dollar indicated that 66 cents of each dollar used for advertising purposes was expended for newspaper publicity, 5 cents for miscellaneous media, 2 cents for radio broadcasting, and 2 cents for direct mail advertising. The balance was expended in production cost, advertising payroll, display, and other items.

Distribution of the 1934 Retail
Publicity Dollar

Newspapers	66 Cents
Production	4 Cents
Miscellaneous media	5 Cents
Radio broadcasting	2 Cents
Direct mail	2 Cents
Advertising payroll	8 Cents
Total display	10 Cents
All other	3 Cents

Source: Annual Analysis of Sales Promotion Division of the National Retail Dry Goods Association.

Interstate Character of Newspaper Advertising

The National Retail Code Authority^{1/} has stated that:

"Advertising statistics for newspapers in 52 representative cities indicate that in the year 1934, the total lineage of retail advertising amounted to 700,000,000 lines out of a total of 1,179,000,000 lines for all advertising. In 1933 retail lineage amounted to 597,000,000 lines out of a total of 1,066,000,000 lines.

While it is difficult to ascertain to what extent this retail advertising is carried to customers across state lines, it is safe to say that by far the major part of this advertising was in newspapers which have an interstate circulation and which serve to bring purchases from other states to retail stores, either in the person of the customer himself or by mail order."

^{1/} "Reply to Questionnaire of Litigation Division-NRA, on the Code for Retail Trade" (April 1935).

CHAPTER V

TRADE PRACTICES

Unfair Trade Practices Prevalent Prior to the Code^{1/}

Unfair trade practices prevalent in the Trade prior to the Code were misrepresentations of goods, false advertising, and the use of loss leaders. These practices developed during the fight for sales which became more and more intense as the depression progressed. The important consideration to retailers was the meeting of expenses rather than the making of a profit. Consequently the entire Trade was disturbed by price cutting.

Trade Practices Which Became Detrimental Because of Abusive Use^{2/}

The following trade practices are not necessarily in themselves unfair, but because of the depression they were carried to such an extent that they became abuses.

1. Price cutting
2. Unlimited privilege of returning merchandise
3. Irresponsible advertising statements
4. General disposition to reduce the quality of merchandise

Unfair Trade Practices Prevalent Under the Code^{3/}

The unfair trade practices which existed prior to the Code prevailed also under the Code but to a lesser degree. Generally some improvement occurred in trade practices and certain abuses were fairly regularly checked.

Effect of Unfair Trade Practices on Retail Trade and Sources of Supply

The effect of unfair trade practices on the Retail Trade is well expressed in the following quotation from the National Retail Code Authority, Inc.^{1/}

"The effect of this frenzied process of competitive methods was marked. Advertising and sales promotion methods became more and more reckless of dignity and truth --- even of cost. The merchant whose advertising included the loudest and most blatant exaggerations took business away from those who clung conservatively to the truth. At the outset, these methods were confined to a few of the more desperate and less

^{1/} Based on opinions of such qualified witnesses as Mr. Lew Hahn, Dr. Paul H. Nystrom and Mr. William Girdner. (See list of qualified witnesses at the end of Chapter VI.)

^{2/} Based on a statement by Mr. Hahn.

^{3/} Based on the opinion of Mr. Hahn.

^{4/} "Reply to Questionnaire of Litigation Division-NRA, on Code for Retail Trade" (April 1, 1935).

scrupulous, but gradually more and more stores were forced to adopt them as a measure of self-defense.

"One of the notable results of these methods was the increasing use of novel and costly promotions of lotteries, contests, premium extravagances and similar trade stimulation devices. While many or all of these had long been recognized as valuable adjuncts of sound merchandising policy, their use between 1930 and 1933 threatened to eliminate competition in merchandising and store service and to substitute therefor competition for the doubtful honor of telling the most engaging untruths or giving the biggest prizes. It is questionable whether the 'something-for-nothing' mania had ever been so wholeheartedly indulged since the advent of modern retailing.

"This ~~only~~ was not only destructive of sound merchandising; it drew the competitive advantage to the less scrupulous among those retail institutions whose financial resources permitted of widespread and expensive advertising. This widespread disregard for truth in advertising and selling methods on the part of a few tended to undermine the confidence of consumers in all retailers - which placed the burden most heavily on the most ethical.

"The period ending in 1933 saw the development of the so-called 'loss leader' to the point of absurdity. A 'loss leader' is an article of merchandise, ostensibly desirable, priced far below a normal figure - at times below invoice cost - to entice trade, in the expectation that customers so attracted to the store will purchase other and more profitable merchandise. Some stores which used this method extensively relied upon the natural wants of their customers in other lines to stimulate other sales and recompense them for the loss entailed in the profitless selling of the 'loss leader.' Others used 'loss leader' merchandise of so low a quality that the customer's own common sense could be relied upon (with subtle stimulation of salesmanship) to switch the purchase to better - and more profitable goods.

"One of the inevitable results of 'loss leader' merchandising was a wave of price wars. The offering of such a leader in a community would inaugurate a series of price cuts among the competing stores, terminating, more often than not, in sales far below cost. The resulting losses wrought unfair competitive hardship upon specialty stores and small establishments carrying a limited number of lines, since such an establishment might be caught up in a price war involving one of its few lines - perhaps its only line. This was particularly true because nationally advertised branded lines, which form an important part of the stock of many such stores, were the favorite items of such 'loss leader' merchandising.

"The obvious effect of the 'loss leader' was to disrupt fair competition. Resourceful stores could, by judicious price-cutting, drive weaker competitors out of business - preparatory to raising prices when the competition had been disposed of. This was particularly true whenever a new store utilized this device to lure the patronage of a community away from the established merchants.

".....The competitive pressure in retailing backed up against the manufacturer and wholesaler in the form of insistent demands for lower and lower prices to meet or undersell competitive retail prices. The manufacturer or wholesaler not only watched his volume decline; in addition, he was forced to grant price concessions to absorb part of the loss that was being forced on the retailer. This was one of the factors which forced the manufacturer to drive down wages of his own labor, in order to meet the demand for cheaper prices.....Further, this pressure on manufacturers and wholesalers was greatest when it was exerted by retailers and groups of retailers with large buying power and plentiful cash reserves, resulting in further increasing their competitive advantage."

CHAPTER VI

GENERAL INFORMATION

Retailing as a Part of the Distributive Process

Once merchandise is ready for distribution, it may be sold to ultimate consumers by a number of different methods. The merchandise sold by retail stores may be purchased by such stores either direct from manufacturers or through wholesalers (and in a number of instances possibly through jobbers or sub-jobbers), who in turn purchase direct from manufacturers. Oftentimes purchases are made from the agent of the manufacturer by the Purchasing Agent of a chain store organization and distributed either direct from the mill to the individual stores -- as in the case of certain paper products -- or delivered to the chain store warehouse and shipped thence to the individual retail stores.

Opposed to the foregoing types of distribution are those in which the manufacturer sells direct-by-mail to the ultimate consumer; and the more important division of mail-order selling in which the mail-order house assembles its stock from manufacturers located all over the United States into various central warehouses, sends its catalogues to a mailing list of customers in the various states, and ships upon receipt of a mail-order from the customer. The transaction may be on a C.O.D. basis, which means that the customer pays the postman for the merchandise upon receipt of the order.

Still other types of retailing exist in which the retailer acts as agent of the manufacturer, transmits the order, and the merchandise is delivered to the customer from the factory. This latter type has very little application to merchandise sold under the Retail Code. Another type of merchandising is found in cases in which manufacturers have appointed state or regional distributors to sell to a selected list of dealers who in turn sell direct to customers, as for example, in the distribution of radio sets.

Trade Association Activity

The Code of Fair Competition for the Retail Trade was sponsored by nine national associations, some of which are made up of direct memberships, and others of which are made up of member associations. These associations are as follows:

- The National Retail Furniture Association
- The National Retail Hardware Association
- Mail-Order Association of America
- The National Association of Retail Clothiers
and Furnishers
- The National Retail Dry Goods Association
- The National Shoe Retailers Association
- National Council of Shoe Retailers
- The Limited Price Variety Stores
- National Association of Music Merchants

The National Retail Hardware Association represents small independent retailers; the Mail-Order Association of America represents the large mail-order houses; and the National Retail Dry Goods Association represents a group of department stores among which is the J. C. Penney Company's entire chain. The National Shoe Retailers Association and the National Council of Shoe Retailers represent different types of shoe retailers; the former being composed chiefly of independently owned and operated stores, while the latter is composed chiefly of the shoe chains. The Limited Price Variety Stores Association represents the 5¢-10¢-\$1.00 group of stores.

Documents presenting information in support of a Retail Code of Fair Competition were submitted by several of the above associations in August 1933. 1/ They include the following data on membership and number of employees covered.

National Retail Furniture Association. - An undated memorandum from this Association stated that it was composed of a total membership of 3,439 members.

National Retail Hardware Association. - On August 19, 1933, this association, with headquarters in Indianapolis, filed a document with the NRA containing a certification of the membership in the Association within each state. Total membership was placed at 11,503 members.

The Mail-Order Association of America. - This Association was organized July 9, 1933. Its membership as of August 19, 1933, consisted of the following:

Montgomery Ward and Company, Chicago, Illinois
Sears, Roebuck and Company, Chicago, Illinois
Siegal, Mav, Stern, Inc., Chicago, Illinois
Walter Field Company, Chicago, Illinois
Chicago Mail-Order Company, Chicago, Illinois
N. W. Savage Company, Minneapolis, Minnesota
The National Bellas-Hess Company, Kansas City, Missouri
Larkin Company, Inc., Buffalo, New York
Lane-Bryant, Inc., New York, N. Y.

It is reported that the Association is "truly representative and has sent letters and application blanks to about 105 persons throughout the United States advising them to join the Association. These persons and firms are said to be engaged in the retail mail-order business."

The National Association of Retail Clothiers and Furnishers. - This Association, which was organized nineteen years ago under the laws of the State of Iowa as a membership corporation, has had uninterrupted activity since that time. Its total membership was composed of 1,789 distributors located in all but two states in the Union. In addition, there were 2,000 others that receive the official magazine of the Association "thus indicating their desire to continue contact with the Association, although they are unable to continue to pay their dues." Prior to the depression, its membership was approximately 6,700.

1/ These documents are filed with the Code Record Division, National Recovery Administration, under "Material pertaining to Code Number 60."

The National Retail Dry Goods Association. 1/ - In August 1933, the N.R.D.G.A. consisted of 4,167 stores located in every state in the Union, as well as in the District of Columbia and the Territory of Hawaii. The approximate number of employees of such stores was 450,000, and the approximate volume of sales was estimated at \$3,000,000,000 annually. The names and addresses of the member stores were individually listed in a 64-page document. Membership includes the J. C. Penny Company group of some 1,500 chain stores. There has been some increase in the number of small stores in the Association since application was made for the Retail Code.

The N.R.D.G.A. publishes an annual report entitled The Work, in which is given a detailed account of the activities of each of its committees and departments.

The National Shoe Retailers Association. - The document submitted by this Association in support of a Retail Code contains an exhibit of 75 sectional, state, and local associations affiliated with the Nation Association, or for whom the Association had been authorized to act.

The membership of the National Shoe Retailers Association is composed chiefly of independent dealers but also includes chain store operators. Membership consisted of 124 chain store operators who controlled 1,201 stores plus 2,317 individual members and 4,220 affiliated members. The number of independent members as of August 29, 1933, was 6,657 which, together with the chain store members, gave a total of 6,761. The total number of stores represented in the Association was apparently 7,233.

The chief functions of the Association are to inform members of important trade affairs; to supply them with forecasts of seasonal styles, colors and materials; to furnish information and advice on matters pertaining to the manufacturing or retailing of shoes; to adjust grievances arising between manufacturers, wholesalers, or traveling salesmen; and to eliminate or control unfair trade practices.

National Council of Shoe Retailers. 2/- Although this Association includes members of all types of stores, it is predominantly composed of national, sectional, and local chains. On May 1, 1935, the membership consisted of 78 chains which controlled 3,516 stores. Eighty per cent of the volume of chains in the shoe business is controlled by members of this group.

The Council supplies its members with practical information on business changes and informs them promptly of all state tax legislation. Under the Code it furnished its members with specific information on fair practice provisions of the Code, with correct interpretations based upon National Retail Code Authority rulings, and with a complete file of all interpretations and regulations issued by the Code Authority.

1/ Statement of Mr. G. F. Plant, Manager of the Store Management Group of the National Retail Dry Goods Association.

2/ Information given by Mr. Girdner, Executive Secretary, National Council of Shoe Retailers.

The Limited Price Variety Stores Association.^{1/} - The limited price variety store trade, including both chains and independent stores, is represented by the Limited Price Variety Store Association, which was incorporated under the membership corporation laws of the State of New York, on August 17, 1933. Nearly every national chain store company, as, for example, Woolworth, Kresge, Grant Kress, Newberry, G. C. Murphy, Scott-Burr, Weisner Brothers, and H. L. Green Company; practically every sectional chain store company; and the Ben Franklin League, with a membership of over 2,000 individually owned variety stores, joined the Association immediately. The Association soon had a membership of 2,294 companies which operate approximately 7,000 stores, or 60 per cent of all variety stores in the country. The sales volume of these member companies represents more than 80 per cent of the variety store trade in the United States.

In cooperation with other retail groups, the L.P.V.S.A. worked with the NRA in obtaining the Retail Code, which was approved on October 22, 1933.

The major activities of the Association consist of serving as a central research bureau for the trade by collecting, compiling, analyzing, interpreting and distributing information and data of timely interest; serving as a clearing house for member companies on all legislative and tax matters affecting them; and supplying information on variety stores to interested non-members of the trade. Under the Code it represented the industry before the National Retail Code Authority and before the NRA, and served as a clearing house for all NRA interpretations and amendments to the Retail Code.

Competitive Trade Associations

Competitive trade associations exist in at least one field of retail trade - the shoe trade. The National Shoe Retailers Association is composed of a group of associations of independent shoe retailers and of chain store operators, but the great majority of its members are independent dealers. The National Council of Shoe Retailers, on the other hand, consists chiefly of chain store operators. Members of this association handle 80 per cent of the sales made by chain stores, as already indicated.

The Extent of Union Activity

Labor unions in the retail trade are relatively few. In most instances these are composed of carpenters, painters, needle workers, or alteration hands who are employed in work-rooms. In a few cases the sales clerks are organized. One such organization, The Retail Sales Peoples International Protective Association, is located in Lafayette, Indiana. It is affiliated with the American Federation of Labor.

An example of union activity is found in the Butte (Montana) Clerks Union, which was formed in 1886.^{2/} This organization is one of the few groups in the United States which is able to bargain collectively with employers. In most cities the unions present their requirements to individual employers. In Butte however, a general agreement has been in effect since 1925, between the Butte Clerks Union and members of the Silver Bow Employers Association, who comprise

^{1/} Presenting the Limited Price Variety Store Association, Inc., pp. 3,4,7, and 9.

^{2/} "Closed shop in stores of Butte, since 1925," in Retailing, (Executive Edition, February 11, 1935).

most of the merchants of the city. This agreement, in effect, covers also all independent merchants who, although they are not members of the Employers Association, subscribe readily to the union agreement.

The general contract now effective and enforced between the clerks and employers prescribes a closed shop and minimum wage scales; a five-day week during the summer; a working day of 6 hours and 40 minutes, with an hour for lunch time off for holidays; overtime pay; and rigid stipulations regarding pay for apprentices.

In Great Falls, Montana; Coffeyville, Kansas, and a few Rocky Mountain towns, the retail stores have been unionized, and although no strikes have occurred there has been some picketing.^{1/}

The most notable recent strike occurred in The Boston Store, Milwaukee, Wisconsin, as a result of an attempt by the union to gain recognition as well as wage adjustments. There have also been strikes for the same reasons in both the Klein and Ohrbach stores in New York.

Labor Conditions Within Various Trade Groups^{2/}

In General. - Controversies between labor and management are considered to have been practically non-existent in stores which are members of the National Shoe Retailers Association. The same situation exists among the members of the National Council of Shoe Retailers, but non-members are said to have labor difficulties. Members of the National Retail Dry Goods Association are reported to have had little trouble. Friendly relations between employers and employees have been outstanding.

In Department Stores. - A recent survey of employment conditions in department stores made by George F. Plant, Manager of the Store Management Group of the National Retail Dry Goods Association, covered approximately 440 stores with a total of 170,000 employees.^{3/} While not fully complete as yet, it is believed to be the broadest study thus far made in the department store field. Information was obtained concerning the following Subjects;

1. Company Unions. - Only twelve of the total number of stores had company unions. In four or five of these stores membership in the union was not storewide, but was confined to one major division, usually the delivery department. Several of these unions were organized about the time of the President's Reemployment Agreement.

2. Mutual Aid Associations. - While the number of direct employee representation associations was small, mutual aid societies were found in approximately 130 stores. These mutual aid societies, which are usually organized and administered by the employees, have as their principal features the payment of sick and death benefits as well as the carrying on of various social activities for the employees.

The management of the stores aids in the activities of these associations, by contributing funds in some cases and in almost all instances by permitting

1/ Statement by Dr. Paul H. Nystrom.

2/ Based on opinions of Mr. Girdner, Mr. Holden, and Mr. Plant. (See list of qualified witnesses at the end of this Chapter.)

3/ New York Times, June 30, 1935.

the use of store time and by cooperating in the preparation of forms and notices.

3. Old Age Pensions. - Dealing with the question of old age pensions, the survey indicated that old age pension plans on a contributory basis were found in only 5 or 4 stores. A majority of the larger stores, however, have informal pension plans under which the expense involved is borne by management alone.

4. Group Insurance. - Approximately one-third, or 140 of the total number of stores provide some organized form of group insurance for employees. In the majority of cases this covers straight life insurance and is usually administered through one of the established life insurance companies. Employees contribute to the expense of carrying the insurance, although in most cases the extent of their contribution is limited to a maximum set by the state, usually about 60 cents per \$1,000 of insurance.

Although group insurance is not usually available to organizations having less than 50 employees, stores find that wholesale issuance of insurance can be obtained in such cases. It is interesting to note that out of 100 stores which have less than 50 employees each, nineteen provide some form of wholesale insurance.

Financial Condition of Retail Trade

Merchandising and operating results of department and specialty stores have been analyzed and published by the Controllers' Congress of the National Retail Dry Goods Association.^{1/} Table XV contains excerpts from these reports and indicates typical gross margins, operating expenses, and operating profits or losses for stores within various selling ranges. The figures are averages based upon a large number of stores.

Gross margins were smaller in the smaller establishments. In 1933 operating expenses, in practically every case, were slightly larger than gross margins; in 1934 the opposite was true. As the result, the "typical" store in nearly every instance showed an operating profit in 1934 as against a loss in 1933.

^{1/} Controllers' Congress of the National Retail Dry Goods Association, Departmental Merchandising and Operating Results.

TABLE XV
Typical Operating Results of Department Stores^{a/}
(In Per Cent of Net Sales)

Sales (Thousands)	Gross Margin	Operating Expenses					Selling
		Total Operating	Adminis- trative	Occupancy	Publicity	Paying	
1933							
\$ 500 - \$ 1,000	34.6	35.3	7.2	8.1	4.9	4.3	9.9
1,000 - 2,000	35.9	35.5	7.9	7.8	4.6	4.3	10.1
2,000 - 5,000	35.6	36.4	7.5	8.1	5.7	4.1	10.1
5,000 - 10,000	36.1	37.6	8.0	8.4	5.7	4.5	10.4
10,000 and over	36.7	37.8	6.7	9.0	6.2	4.4	11.4
Specialty Stores	37.2	38.7	7.9	9.0	7.0	5.2	9.6
1934							
\$ 000 - \$ 1,000	34.9	33.6	6.9	7.2	4.3	3.9	10.3
1,000 - 2,000	34.5	33.7	7.1	7.2	4.7	4.2	9.7
2,000 - 5,000	35.1	35.0	7.0	7.3	5.6	3.8	10.5
5,000 - 10,000	35.7	35.3	6.3	7.4	6.0	4.2	10.5
10,000 and over	35.9	36.5	6.3	8.1	6.2	4.1	11.8
Specialty Stores	36.9	36.0	7.2	7.5	6.2	4.5	9.7

Source: Controllers' Congress National Retail Dry Goods Association
"Departmental Merchandising and Operating Results" for 1933 and 1934

^{a/} Since figures for each expense items are averages and since all items do not necessarily come from the same group of stores, the sum of the group figures may not be identical with that labelled "Total Operating" expense.

Under date of April 1, 1935, the National Retail Code Authority, Inc., summarized the operating results of typical department stores 1929-1933, inclusive, as published by the Harvard University Bureau of Business Research.^{1/} The figures indicated that between 1930 and 1933, in practically every instance, department stores operated at a net loss, although during 1929 net profits were achieved. The heaviest losses occurred during the year 1932. (See Table XVI.)

In the document mentioned above ^{1/} the operating results of hardware stores as collected by the National Retail Hardware Association, were also summarized. These results were in terms of percentage of sales and indicated a loss for each year ranging from a low of 1.8 per cent in 1930 to a high of 12.7 per cent in 1932. For the year 1933, a loss of 5.6 per cent was incurred by these stores.

Although the foregoing figures represent a composite of over 1,000 hardware stores, a certain proportion reported net profits in each year. In 1930, 50 per cent of the stores reported a net profit while in 1932 only 17 per cent so reported. For the year 1933, 43 per cent of the stores reported that they had made some net profit. (See Table XVII.)

TABLE XVI

Net Profit or Loss in Retail Stores, Classified
by Size of Annual Sales, 1929 - 1933
(In Per Cent of Annual Net Sales)

Amount of Annual Net Sales	1929	1930	1931	1932	1933
Less than \$150,000	--	- 5.2	- 8.1	-10.3	- 2.4
\$150,000 - \$300,000	--	- 2.4	- 6.6	- 8.7	- 3.0
\$300,000 - \$500,000	--	- 2.3	- 5.2	- 6.2	- 1.0
All under \$500,000 ^{a/}	+ 0.3	- 3.2	- 6.5	-11.3	- 3.8
\$500,000 - \$750,000	--	- 1.7	- 4.5	- 8.2	- 2.7
\$750,000 - \$1,000,000	--	- 2.3	- 5.8	- 9.5	- 3.3
\$1,000,000 - \$2,000,000	--	- 1.8	- 3.9	- 6.8	- 2.7
All \$500,000 - \$2,000,000 ^{a/}	+ 1.0	- 1.3	- 4.0	- 8.2	- 2.4
\$2,000,000 - \$4,000,000	--	- 0.7	- 3.5	- 7.8	- 2.9
\$4,000,000 - \$10,000,000	--	- 0.6	- 2.6	- 7.4	- 2.4
Over \$10,000,000	--	+ 0.1	- 1.9	- 4.8	- 1.3
All over \$2,000,000 ^{a/}	+ 1.2	- 0.5	- 2.9	- 6.8	- 2.3

Source: National Retail Code Authority, Inc., "Reply to Questionnaire of Litigation Division -- NRA on Code for Retail Trade" (April 1, 1935). Data are from Harvard University, Bureau of Business Research.

^{a/} The figures in this line of the Table are not from exactly the same stores as the three above. Consequently, they do not represent a summary of the three preceding figures.

^{1/} National Retail Code Authority, Inc., "Reply to Questionnaire of Litigation Division-NRA, on Code for Retail Trade" (April 1, 1935).

TABLE XVII

Operating Results of Hardware Stores, 1930-1933^{a/}

Year	Ratio of Net Loss To Net Sales	Per Cent of Total Stores Reporting Net Profit
1930	1.78	50
1931	6.58	37
1932	12.66	17
1933	5.55	43

Source: National Retail Code Authority, Inc., "Reply to Questionnaire of Litigation Division-NRA, on Code for Retail Trade" (April 1, 1935). Data from Harvard University, Bureau of Business Research.

^{a/} Composite results from more than 1,000 stores in each year, collected by National Retail Hardware Association.

Effect of the Code on the Retail Trade

Prices and Stocks. - For comparison of index numbers of wholesale prices by months, 1929 to date; and retail prices, 1931 to date, see Chart Number I. The spread between the two series has narrowed gradually through 1934. An index of department store stocks at end of each month, 1929 to date, is also included in this chart.

Wages. - Experts in the retail trade vary in their opinion as to the effect which the Retail Code has had on wages in the Trade. One Authority^{1/} has expressed the opinion that the average wage is not higher as the result of the Code and may possibly be lower. Another has asserted^{2/} that the Code resulted in a payroll increase of 18-20 per cent at the same time that there was only a 12 per cent increase in employment. Data compiled by the Bureau of Labor Statistics from a sample of the general merchandise group indicate that average weekly wages as well as average hourly wage rates were considerably higher in 1934 than in 1933. At the same time the average hours worked per week decreased. (See Table VII and Chart I.)

Employees in variety stores have been more affected by the minimum wage than have any other large group in retail trade.^{3/} Average wages jumped from \$11.84 to \$14.00, an increase of about 28 per cent over the pre-code period. During the same period employment increased 11 per cent and payrolls increased about 28 per cent. Less efficient employees have been gradually replaced by those considered able to earn the minimum wage. Consequently, operative standards, insofar as the members of this group are concerned, have been raised above the levels existing prior to the Code.

Hours. - It is generally agreed that the Code has resulted in shorter hours and in more part-time employment. Chart I presents average hours worked per week, by months, from January 1933 to date.

^{1/} Mr. Earl W. Elhart.

^{2/} Mr. Plant.

^{3/} Dr. Paul H. Nystrom.

Operating Costs. - One authority^{1/} has maintained that operating costs increased as a result of the Code. This was attributed to increased payrolls and a higher cost of supplies and equipment.

Proportion of Trade-Marked Merchandise

The following information concerning the relative amount of retail merchandise which is trade-marked is based upon the opinion of experts in the retail field, and is consequently limited in scope.

Limited Price Variety Stores. - Of the Products sold by Variety Stores, only drugs and toiletries are sold under trade-marks which have any meaning.^{2/} Sales of drugs and toiletries in 1934 amounted to nearly 8 per cent of the total sales made by this group of chain stores.^{3/} About 56 per cent of the merchandise sold by members of this group had no trade-mark, and about 36 per cent of the merchandise carried trade-marks which were more or less meaningless.

Merchandise which bore trade-marks of little meaning is found in the following classes:

Notions and Small Wares
Confectionery and Nuts
Stationery and Books
Toys and Games
Clothing and Furnishings (Men's and Boys')
Electrical Supplies and Materials

Non-trade-marked merchandise is found in the following classes:

Apparel and Accessories
Home Furnishings (principally China, Glassware,
and Crockery)
Hardware
Dry Goods
Soda Fountain Sales and Lunches
Jewelry (principally Costume)

National Council of Shoe Retailers. - All of the merchandise sold by members of the National Council of Shoe Retailers is trade-marked^{4/}. The proportion of total sales represented by registered trade-marks is not known, but is thought to represent a very large percentage of the total.

National Retail Dry Goods Association. - In department stores, the following lines of retail merchandise are those in which trade-marked items are most prevalent.^{5/}

1. Toilet Articles and Cosmetics
2. Books
3. Groceries
4. Notions
5. Hosiery

^{1/} Mr. Plant.

^{2/} Statement by Dr. Nystrom.

^{3/} See Table V.

^{4/} Statement by Mr. Girdner.

^{5/} Statement by Mr. Dibrell

6. Tobacco
7. Gloves
8. Corsets
9. Domestics (sheets)
10. Blankets
11. House Furnishings

The most important items, with respect to trade-marks, appear at the top of the list. Very few trade-marks are found in furniture, jewelry or apparel. Trade-marked items, which constitute less than 10 per cent of total sales, are usually sold on the main floor.

Effect of Imports of Foreign Merchandise

In General. - On the whole, the effect of foreign imports on retail trade is slight.^{1/} Imports amounted to not more than 5 per cent of the total merchandise sold in 1929, and possibly is not now in excess of $2\frac{1}{2}$ per cent.

Department Stores. - The effect of foreign goods on retail trade varies with the line of merchandise handled by the various kinds of stores. Department store sales are little affected by such imports.^{2/} Devaluation of the dollar and increase in tariff rates have raised the cost of foreign merchandise over that existing in the past. One store, which, in 1929, purchased 11 per cent of its merchandise in Europe, today buys 85 per cent less in foreign markets (this figure is about 1.65 per cent). Higher selling prices of imported goods make their sales prohibitive.

Variety Stores. - Variety stores, on the other hand, are considerably affected by imports of foreign merchandise.^{3/} Formerly a large part was imported from Germany, but as the result of a boycott on German goods, such imports have decreased. Japanese goods have recently been imported in large quantities.

Shoe Stores. - Imports of shoes from Czechoslovakia and Japan have demoralized the trade of independent shoe retailers.^{4/} A chain of shoe stores is maintained in Chicago by the Bata Organization for the purpose of selling shoes made by their factory in Czechoslovakia. This type of merchandise is mostly found in so-called bargain basements.

List of Qualified Witnesses

Mr. Edwin R. Dibrell, Vice President in charge of Merchandising, Associated Dry Goods Corporation, which owns and operates a chain of department stores including Lord and Taylor, and James McCreery and Company. Mr. Dibrell joined Lord and Taylor in 1919, where he merchandised piece goods and became Vice President in 1926, at the age of 27. In 1927 he became Executive Vice President and Publicity Director of R. H. Macy and Company; and has been active recently as Vice Chairman of the Retail Protective Committee in representing retail interests before the NRA in Washington. Mr. Dibrell has served as Chairman of the Merchandise Managers Group of the National Retail Dry Goods Association, and also as Chairman of the Sales Promotion Division.

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- ^{1/} Statement by Mr. Elhart.
 - ^{2/} Based on the opinion of Mr. Dibrell.
 - ^{3/} Statement by Dr. Nystrom.
 - ^{4/} Statements by Mr. Girdner and Mr. Holden.

Mr. Earl W. Elhart, 1 East 13th Street, New York, New York, Editor, Fairchild Publications. Mr. Elhart has been associated with Fairchild Publications for a number of years. He is the Editor of the Executive Edition of a weekly paper entitled Retailing.

Mr. William Girdner, Executive Secretary, National Council of Shoe Retailers, Inc., 1 East 42nd Street, New York, New York.

Mr. Lew Hahn, former Chairman, National Retail Code Authority, and member of the Industrial Advisory Board of the NRA; and President, National Retail Dry Goods Association, 1933. Mr. Hahn played an important part in the formation of the Retail Code and represented the Trade before the NRA in Washington. He was formerly connected with the Hahn Department Store.

Mr. John J. Holden, National Shoe Retailers Association, Empire State Building, Room 3022, New York, New York.

Mr. S. Katzen, Vice President, A. I. Namm and Sons, Brooklyn, New York.

Mr. J. A. Kaylin, Associate Editor, Fairchild Publications.

Major Benjamin H. Namm, President, A. I. Namm and Sons. Major Namm has been one of the outstanding supporters of the Retail Code and has delivered a number of speeches throughout the country in support of NIRA. He was active in the formation of the Code at the time of the original public hearings in August 1933, and attended a large number of conferences for the purpose of formulating a Code prior to that date.

Dr. Paul H. Nystrom, Vice Chairman, National Retail Code Authority, President of the Limited Price Variety Stores Association, Inc. Dr. Nystrom was appointed Economic Adviser of the L.P.V.S.A. shortly after its origin on July 24, 1933, and represented the Industry in negotiating with the NRA for a satisfactory Code. Prior to his work with L.P.V.S.A., Dr. Nystrom had the following connections: Director, Trade Research, U. S. Rubber Company; Sales Manager, International Magazine Company; Director, Retail Research Association, and Associated Merchandising Corporation; Professor of Marketing, Columbia University, and Business and Marketing Consultant. He is also author of numerous books, the most recent of which are Economics of Fashion (1928), Economic Principles of Consumption (1929), and Fashion Merchandising (1932).

Mr. George F. Plant, Manager of the Store Management Group of the National Retail Dry Goods Association, 225 West 34th Street, New York, New York.

